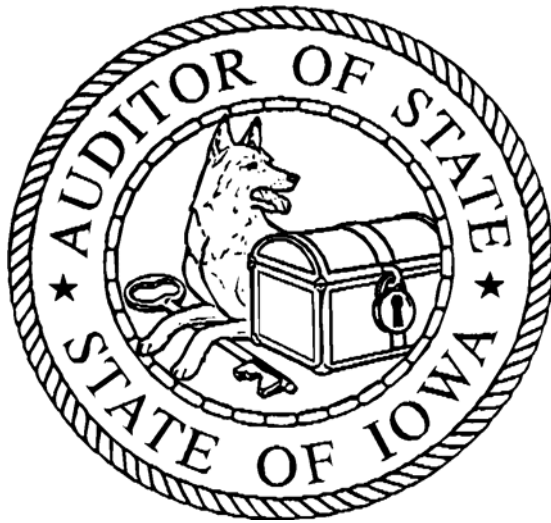


# **CITY AUDIT PROGRAM GUIDE**

## **SUPPLEMENT**

For the year ended June 30, 2005



DAVID A. VAUDT, CPA  
AUDITOR OF STATE

**Supplement to City Audit Program Guide**

**June 30, 2005**

For the fiscal year ended June 30, 2005, guidance on changes and updates is provided in this 2005 Audit Program Guide Supplement. This supplement should be used in conjunction with the fiscal 2004 Audit Program Guide previously issued by this office.

Also, the 2004 Audit Program Guide previously issued by this office has several references to GASB34 implementation. This language was not amended with this supplement since some governments may not have implemented or did not fully implement GASB34 in prior years.

CITY \_\_\_\_\_

June 30, 2005

**AUDIT PLANNING**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p><b>GF-1.2 - Insert the following procedure and renumber other steps as appropriate:</b></p> <p>G. Inquire as to the existence of any attestation engagements, performance audits, or other studies (for example – Federal audits, program audits, IT audits, reviews by state agencies, etc.) that have been performed and determine the current status of any findings or recommendations identified that may directly affect the risk assessment and audit procedures in planning the current audit. (GAS Chapter 4.15)</p> <p><b>GF-1.4 – Insert revised procedure Q. as follows:</b></p> <p>Q. 28E Organizations, Municipal Utilities and Administrative Agencies</p> <ol style="list-style-type: none"> <li>a. Determine if the City was a member of a Chapter 28E organization with gross receipts in excess of \$100,000 in a fiscal year.</li> <li>b. Determine if the City has a separate Municipal Utility and/or Administrative Agencies per Chapter 392. <ol style="list-style-type: none"> <li>(1) If the City owns or operates a municipal utility providing telecommunication services, determine if the provisions of Chapter 388.10 of the Code of Iowa have been followed.</li> <li>(2) If the City owns or operates a municipal utility providing telecommunication services, determine that the City or the municipal utility annually certifies its compliance with Chapter 388.10 of the Code of Iowa and this certification is attested to by the Auditor of State or a certified public accountant certified in Iowa.</li> </ol> </li> <li>c. If so, determine if arrangements have been made for an audit in accordance with Chapter 11.6 of the Code of Iowa.</li> </ol>	A, D				

CITY \_\_\_\_\_

June 30, 2005

**AUDIT PLANNING**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<p><b><i>GF-1.7 – Insert revised procedures Y.1.-3. for previously unnumbered step (see Y. below) and renumber other steps as appropriate:</i></b></p> <p>Y. Determine the major funds for the governmental and business type funds. Funds are considered major funds if they meet both the criteria for the same element. (GASB 34 par.76)</p> <ol style="list-style-type: none"> <li>1. Total receipts or disbursements of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type.</li> <li>2. Total receipts or disbursements of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.</li> <li>3. Review with management whether additional discretionary funds should be included as major funds.</li> </ol> <p><b><i>GF-1.7 – Insert the following procedure and renumber other steps as appropriate:</i></b></p> <p>Z. Document the auditor's consideration of the risk of material misstatement due to abuse. If indications of abuse exist, plan audit procedures to determine whether abuse has occurred and the effect on the financial statements. (GAS Chapter 4.17b)</p>					

**CITY** \_\_\_\_\_**June 30, 2005****PLANNING CONFERENCE**  
**ENTRANCE*****GF-2.2 – Insert revised step F.1. as follows:***

F. Auditor's responsibilities for:

1. Obtaining an understanding, testing and reporting on internal controls and compliance with laws and regulations (discussion of par. 4.12 and 4.13 of Government Auditing Standards may be helpful).



CITY \_\_\_\_\_

June 30, 2005

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<b><u>INVESTMENTS</u></b>					
<b><i>GF-9.9 – Insert revised procedures F. and G. as follows:</i></b>					
F. For cash basis cities, prepare a workpaper documenting fair value of investments on hand at June 30 for footnote disclosure.	D				
G. Document other investment information for footnote disclosure in accordance with GASB 40 as follows:					
1. Investments on hand at June 30 should be listed by type and include maturities.					
2. Include the appropriate disclosures for the applicable risks:					
a. Credit risk					
b. Custodial credit risk					
c. Concentration of credit risk					
d. Interest rate risk					
e. Foreign currency risk					
<b><u>FUND BALANCE</u></b>					
<b><i>GF-9.19 – Insert procedure J. and renumber steps as appropriate:</i></b>					
J. If applicable, determine any funds maintained for City Police reserve peace officers are accounted for in a Special Revenue Fund. (Chapter 80D.11 of the Code of Iowa defines such officers as employees of the governing body.)	B, C				
<b><i>GF-9.20 – Insert procedure L.4. as follows:</i></b>					
4. Determine whether cash on hand balances in the TIF funds at December 1 are credited against total outstanding TIF debt before completing the certificate.					
<b><u>RECEIPTS/REVENUES</u></b>					
<b><i>GF-9.23 – Insert revised procedures B.1.2. as follows:</i></b>					
B. Other City Taxes	A, B C, D				
1. Determine that local option tax receipts were expended in accordance with local provisions. Obtain a copy of the ballot authorizing the local option tax.					
2. Determine that hotel/motel tax receipts were credited to the General Fund in accordance with Chapter 423A.2(3) of the Code of Iowa and expended in accordance with Chapter 423A.2(4) of the Code of Iowa.					

CITY \_\_\_\_\_

June 30, 2005

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<b>GF-9.23 – Insert revised procedure C.1.a. as follows:</b>	A,B, C,D				
1. Confirm revenue received from federal, state and county sources and reconcile amounts per confirmation with the general ledger:					
a. Hotel/motel tax.					
<b>GF-9.25 – Insert revised procedure F.1. as follows:</b>					
1. Determine whether sales tax was collected on the appropriate transactions and remitted to the Iowa Department of Revenue in accordance with Chapters 423.2 and 423.3 of the Code of Iowa. For the sale of metered gas and electricity to residential customers or fuel used to provide heat to residential dwellings, the sales tax will be phased out starting January 2002. The reduction in the tax rate is one percentage point per calendar year through 2006.					
<b><u>DISBURSEMENTS/EXPENDITURES</u></b>					
<b>GF-9.29 – Insert revised procedure B.1.1. as follows:</b>					
1. Real property acquired for an urban renewal project was acquired in accordance with Chapter 403.5(4) of the Code of Iowa and after the Council approved the urban renewal project.					
<b>GF-9.29 – Insert revised procedure B.2.d.2. as follows:</b>					
2. For contracts for road and bridge construction work where the engineer's estimate exceeds the amount authorized by the bid threshold committee per Chapter 314.1B of the Code of Iowa. (through December 31, 2004, \$35,000 for cities less than 50,000 in population and \$50,000 for cities with greater than 50,000 in population; as of January 1, 2005, \$36,000 for cities less than 50,000 in population and \$51,000 for cities with greater than 50,000 in population).					
<b><u>BUDGET</u></b>					
<b>GF-9.38 – Insert revised procedure H. as follows:</b>					
H. Determine whether amounts reported on the Tax Increment Debt Certificate represent outstanding loans, advances, indebtedness or bonds which qualify for payment from City TIF revenues in accordance with Chapter 403.19(5) of the Code of Iowa and whether the certificate was filed by December 1.					
<b><u>SINGLE AUDIT</u></b>					
<b>GF-9.44 – Insert revised step A.6. as follows:</b>					
6. GAO <u>Government Auditing Standards</u> (the Yellow Book), 2003 revision.					

**CITY** \_\_\_\_\_**June 30, 2005****OPINION, DISCLOSURE AND  
OTHER REPORT INFORMATION****GF-17.1 – Insert revised form as follows:****A. Independent Auditor's Report on the financial statements:**

1. Type of opinion rendered for each opinion unit and reason for modification of opinion, if applicable:

<input type="checkbox"/> Governmental Activities	U	Q	D	A
<input type="checkbox"/> Business Type Activities	U	Q	D	A
<input type="checkbox"/> Major Fund – General	U	Q	D	A
<input type="checkbox"/> Major Fund – Road Use Tax	U	Q	D	A
<input type="checkbox"/> Major Fund – Debt Service	U	Q	D	A
<input type="checkbox"/> Additional Major Fund –	U	Q	D	A
<input type="checkbox"/> Additional Major Fund –	U	Q	D	A
<input type="checkbox"/> Additional Major Fund –	U	Q	D	A
<input type="checkbox"/> Aggregate Remaining Fund Information	U	Q	D	A
<input type="checkbox"/> Aggregate Discretely Presented Component Units	U	Q	D	A

2. Reliance on opinion of other auditors properly included in the Independent Auditor's Report

Y N N/A

3. Supplemental information accompanying basic financial statements (AU 551) (check applicable):

- ☐ Include "in relation to" opinion.
- ☐ Disclaim opinion on unaudited information.
- ☐ Prior year information audited by whom and type of opinion(s) rendered (for multiple opinions, please describe in the space below):

☐ 2004 AOS Other auditors U Q D A

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☐ 2003 AOS Other auditors U Q D A

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☐ 2002 AOS Other auditors U Q D A

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CITY \_\_\_\_\_

June 30, 2005

**OPINION, DISCLOSURE AND  
OTHER REPORT INFORMATION****GF-17.3 – Insert revised form as follows:**

Y = Yes N = No N/A = Not Applicable
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C. IAR on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards:

1. Instances of material non-compliance	<u>Y</u> <u>N</u>	<u>GF-12's</u>
2. Instances of non-material non-compliance	<u>Y</u> <u>N</u>	<u>GF-12's</u>
3. No instances of non-compliance	<u>Y</u> <u>N</u>	<u>GF-12's</u>
4. Reportable Conditions	<u>Y</u> <u>N</u>	<u>GF-12's</u>
5. Material Weaknesses	<u>Y</u> <u>N</u>	<u>GF-12's</u>

D. IAR on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133:

1. Instances of non-compliance	See next page	
2. Reportable Conditions	<u>Y</u> <u>N</u>	<u>GF-12's</u>
3. Material Weaknesses	<u>Y</u> <u>N</u>	<u>GF-12's</u>

E. Because this audit is being conducted under Chapter 11 of the Code of Iowa, Government Auditing Standards and OMB Circular A-133, users of the report are presumed to be aware of the conditions under which the report is issued, including the requirement of state law that requires the report to be open to the public.

F. Dollar threshold used to distinguish between Type A and Type B programs \$ \_\_\_\_\_ GF-1's

G. City qualified as low-risk auditee Y N GF-1's

CITY \_\_\_\_\_

June 30, 2005

**OPINION, DISCLOSURE AND  
OTHER REPORT INFORMATION**  
**SINGLE AUDIT**

**GF-17.\_\_\_\_ – Insert revised form as follows:****NOTIFICATION LETTERS** – The following entities are required to receive an audit notification:

All pass-through entities not required to receive a copy of the reporting package (see previous page).

**Circle** applicable agencies:

Iowa Dept of Public Safety  
Wallace State Office Building  
LOCAL

Governor's Office on Drug Control Policy  
Lucas State Office Building  
1st Floor  
LOCAL

Iowa Dept of Human Services  
Division of Fiscal Management  
1st Floor  
Hoover State Office Building  
LOCAL

Iowa Dept of Education  
Grimes State Office Building  
LOCAL

Iowa Dept of Public Health  
Lucas State Office Building  
LOCAL

Iowa Dept of Natural Resources  
Wallace Building  
LOCAL

Iowa Dept of Elder Affairs  
Clemens Building  
LOCAL

Iowa Dept of Economic Development  
200 East Grand  
Des Moines, Iowa 50309

Iowa Dept of Transportation  
Attn. Tom Devine  
800 Lincoln Way  
Ames, IA 50010

Iowa Dept of Public Defense  
Emergency Management Division  
Hoover Building  
LOCAL

List other agencies and their addresses:

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**CITY** \_\_\_\_\_**June 30, 2005****INCHARGE REVIEW QUESTIONNAIRE**

<b>QUESTION</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>
<b><i>GF-22.1 – Insert revised question 4. as follows:</i></b>			
4. Are you satisfied that the evidence gathered does not disclose suspicions of abuse, fraud, violations of statutory, regulatory and contractual provisions, or other illegal acts other than those noted in the statutory comments of the report?			